PROVINCE OF SASKATCHEWAN

08-09

ANNUAL REPORT

SASKATCHEWAN PENSION ANNUITY FUND

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This annual report is available in electronic format at **www.peba.gov.sk.ca.**

Letters of Transmittal

His Honour, The Honourable Dr. Gordon L. Barnhart
Lieutenant Governor of Saskatchewan

Dear Sir:

I have the honour to transmit herewith the Annual Report of the Saskatchewan Pension Annuity Fund for the fiscal year ending March 31, 2009.

I have the honour to be, Sir,

Your obedient servant,

Rod Gantefoer
Minister in Charge
Saskatchewan Pension Annuity Fund

The Honourable Rod Gantefoer
Minister in Charge
Saskatchewan Pension Annuity Fund

Sir:

On behalf of the Saskatchewan Pension Annuity Fund Board, I have the honour to present herewith the Annual Report of the Saskatchewan Pension Annuity Fund for the fiscal year ending March 31, 2009.

Respectfully submitted,

Brian Smith
Board Chair

Chair's Comments

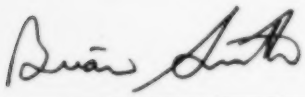
It is my privilege to serve as Chair for the Saskatchewan Pension Fund Annuity Board. The Board consists of three members.

The Saskatchewan Pension Annuity Fund (SPAF) was originally established by section 43.1 of *The Superannuation (Supplementary Provisions) Act* as the Public Employees (Government Contributory) Annuity Fund. It became known as the Saskatchewan Pension Annuity Fund with The Saskatchewan Pension Annuity Fund Act on July 1, 1997.

SPAF is governed by *The Saskatchewan Pension Annuity Fund Act* (the Act) and Regulations. The Saskatchewan Pension Annuity Fund Board (the Board) came into being on April 1, 2005, and is responsible for the administration of the Act and may recommend amendments to the legislation as necessary or desirable. The Board is responsible for plan administration, management and operation of the Fund.

The Board set strategic initiatives in 2007 to 2010. This annual report will provide details on those strategic planning initiatives. This annual report is a first step in providing detailed information about SPAF.

On behalf of the Board, I am presenting the 2008-2009 Annual Report for the Saskatchewan Pension Annuity Fund Board.



Brian Smith
Board Chair

Introduction

The Saskatchewan Pension Annuity Fund (SPAF) was created for members of the Public Employees Pension Plan (PEPP) who want to purchase an annuity as their source of retirement income. *The Saskatchewan Pension Annuity Fund Act* governs SPAF.

The Fund provides members of PEPP with a life annuity paid for the life of the annuitant based on:

- the market conditions at the time the annuity is purchased;
- amount used to purchase the annuity;
- annuitant's and annuitant's spouse's age;
- guarantee period; and,
- survivor benefit.

Once an annuity has been issued, neither the annuitant nor the Plan can change terms of the agreement.

Any deficiencies in the Plan are paid out of the General Revenue Fund and are the responsibility of the Government of Saskatchewan.

The annual operating expenditures associated with the Fund's administration are paid to the Public Employees Benefits Agency (PEBA) Revolving Fund and are charged to the Saskatchewan Pension Annuity Fund.

Saskatchewan Pension Annuity Fund Board

Effective April 1, 2005, the Saskatchewan Pension Annuity Fund Board (Board) was established to administer the Fund. The Board, which consists of three members appointed by the Minister of Finance, is responsible for the administration of *The Saskatchewan Pension Annuity Fund Act*. At March 31, 2009 the Board was composed of the members listed in *Table 1.1*.

Saskatchewan Pension Annuity Fund Board Members	
Brian Smith	Chair
Clare E. Isman	Member
Dennis Polowyk	Member

Table 1.1

Members of the Board receive no compensation for the performance of their roles as Board members. They are remunerated for reasonable expenses for attending Board meetings and other functions in their capacity as Board members.

Contracted Services

The Board is ultimately responsible for the Fund's administration, communication and investment activities. To discharge these responsibilities, the Board uses the services of various organizations.

The Board contracts with PEBA to provide administrative services for the Fund. PEBA is part of the Ministry of Finance, Government of Saskatchewan, and administers a wide range of pension and benefit plans.

Under contract with the Board, PEBA:

- provides annuity estimates;
- calculates annuity and death benefits;
- prepares statements upon a member's death;
- accounts for all investment transactions;
- provides executive management services to the Board;
- conducts annual annuity valuations;
- sends Proof of Existence letters.

PEBA is responsible for ensuring that all transactions are made in accordance with *The Saskatchewan Pension Annuity Fund Act*, *The Pension Benefits Act, 1992*, and their related regulations.

The Board retains RBC Dexia Investor Services Trust as the Plan custodian and Hewitt Associates as the investment consultant. The Board also retains Greystone Capital Management Inc. as the investment manager and AON Consulting Ltd. as the actuary.

Purpose

The purpose of the Saskatchewan Pension Annuity Fund is to provide annuity payments to pensioners who have chosen to purchase annuities through the fund.

Mission

The Board's mission as the Fund's trustee is to manage the assets and expenses solely in the best interests of the pensioners and their beneficiaries.

Goal

The Board's goal is to ensure the Fund's pensioners receive timely, relevant information about issues facing the Fund and the actions taken by the Board to ensure the Fund's continued ability to meet its obligations.

Strategic Initiatives

The Board has been undertaking initiatives from a three-year business plan that runs to 2009-2010. The plan sets out initiatives and activities for the planning period in five major categories:

1. **Effective Communications**

   The Board promotes awareness and understanding of SPAF among annuitants and members of designated pension plans.

2. **Plan Governance**

   The Board continues to implement and maintain its governance program.

3. **Accountability**

   The Board establishes measurable objectives and monitors progress against these objectives.

4. **Risk Management**

   The Board identifies and analyzes the risks the Plan faces and ensures that appropriate systems are in place to manage those risks.

5. **Service Delivery and Design**

   Plan members have access to and use the services offered through the Plan and consider those services to meet their needs.

The Board has adopted a comprehensive governance process that includes regular business planning and risk assessment. It is anticipated that in 2009 the Board will adopt a new business plan being developed within the context of the Fund's purpose, mission and goals. The new strategic plan considers a number of internal and external factors.

The strategic goals of the Plan may vary from those reported in this annual report and are likely to include:

A. Service Delivery, Design and Communications:

Members of the Public Employees Pension Plan have access to information about purchasing annuities from the Fund. Pensioners and their beneficiaries have access to information about the Fund.

B. Plan Governance:

The Board's governance processes ensure the Board has the information needed to provide effective oversight of the Fund.

C. Accountability:

The activities of the Board and its service providers are reported.

D. Risk Management:

Risks facing the Fund are identified and effective strategies are employed to manage those risks.

The 2009-2010 Annual Report will provide reporting for the activities accomplished under that business plan.

Strategic Initiatives

A. Effective Communications

The Board recognizes the importance of a communications strategy that supports its goal(s) and strategic objectives. The Board is mindful of the need to promote an awareness and understanding of SPAF among annuitants and members of designated pension plan(s). Therefore one of its first acts was to create a communications strategy.

Activities Planned and Accomplished in 2008 – 2009

- *Development of a visual identity for SPAF*
  - A communications strategy created in 2007-2008 called for the creation of a visual identity for SPAF and for that identity to be part of the PEBA website. As well, the SPAF complaint process was updated on the website.
- *Creation of a SPAF section on the Public Employees Benefits Agency's website*
  - In May 2008-2009, the images and banners on the SPAF website were refreshed as part of a PEBA-wide change. This was done to make the website more consistent with the Government of Saskatchewan website.

Other activities accomplished in 2008-2009

- In 2008-2009, communication materials were reviewed. No action or change was undertaken.
- Implemented new three-tier annuity calculator to underwrite new annuities commencing June 2008.
- As part of a PEBA Proof of Existence letter project, SPAF annuitants were sent letters to confirm annuity payments were being made to the correct annuitants or beneficiaries.

Activities Planned for 2009 – 2010

- Review current communications strategy.

Strategic Initiatives

B. Plan Governance

Pension plan governance refers to the roles and responsibilities of the Board and its delegates in respect of a pension plan to fulfill their fiduciary obligations.

The Board recognizes that good governance is crucial to the long-term success of the Plan, and it strives to demonstrate leading practices of pension plan governance. The Board has invested considerable effort in developing its governance practices and policies, and will continue to implement and maintain its governance program.

As part of sound governance, the Board will pursue the following initiatives in this planning period:

- Conduct a periodic assessment of SPAF's governance framework, take such actions as may be desirable or necessary for the Board to best discharge its fiduciary responsibilities, and develop a plan to address any gaps identified in the assessment.
- Develop policies that will support the prudent and effective provision of annuities without causing undue risk to the General Revenue Fund.
- Continue to develop the knowledge and skills of Board members through continuing education.
- Remain aware of developments in the nature and scope of the concept of fiduciary relationships and periodically take steps to re-assess the Board's role as Trustee of the Fund.

Activities planned and accomplished in 2008-2009

- *Implement identified changes (if any) required in the governance process*
  - The Board approved amendments to its Governance Manual in November 2008. The amendments provide a substantive update to the Board's education and orientation programs, and to the Board's Code of Conduct and Conflict of Interest Procedures, which Board members sign annually.
- *Conduct annual assessment of the Fund's governance program*
  - The Board conducted a self-assessment based on the Canadian Association of Pension Supervisor Authorities' Pension Plan Governance Guidelines in March 2009.
- *Policy development and progress reporting*
  - The Board did not approve any new policies in 2008-2009. Policy development will be carried forward into 2009-2010.
- *Assess the existing reporting structure*
  - The Board did not undertake this activity in 2008-2009. The activity will be undertaken as part of the review of governance processes planned for 2009-2010.

Other activities accomplished in 2008-2009

- The Board receives a monthly update on market trends and developments in the pensions and benefits industry.
- The Board receives information on upcoming pension education programs.

Activities planned for 2009-2010

- Implement identified changes (if any) required in the governance process.
- Conduct an annual assessment of the Fund's governance program.
- Policy development and progress reporting.
- Review and update the Board's strategic business plan.

Strategic Initiatives

C. Accountability

Effective plan management requires a strong focus on accountability. The Board holds the ultimate responsibility for stewardship of the Fund.

The basis of accountability is the establishment of measurable objectives and the monitoring of progress against these objectives. To this end, the Board measures and manages overall Plan performance and the performance of key delegates.

Under the administration agreement, the Board has delegated to the Public Employees Benefits Agency (PEBA) the responsibility for the day-to-day operations required to administer the Fund and manage its assets.

The Board and its service providers will do the following:

- Review current operation and Fund management standards and further develop these as necessary, consistent with the Board's fiduciary responsibilities.
- Ensure there are adequate programs in place to allow the Board to monitor results in relation to the established standards.
- Identify and implement ways to continue to improve the transparency of Fund operations and the activities and decisions of the Board itself.
- Develop necessary procedures for resolving disputes that may arise in the operation of SPAF.

Activities Planned and Accomplished in 2008 – 2009

- *Implement identified ways for improving the transparency of Fund operations and the activities and decisions of the Board itself.*
  - This Annual Report is the first to feature enhanced reporting of strategic initiatives planned by the Board.

Other activities accomplished in 2008-2009

- The Board's Self-Assessment Questionnaire and its Complaint Process are posted on the SPAF website.
- In June 2008, the Board approved its Annual Report and Financial Statements for the year ended March 31, 2008. The report showed that the Fund was in a deficit at March 31, 2008.

Activities Planned for 2009-2010

- Continue identification and implementation of ways to improve the transparency of Fund operations and the activities and decisions of the Board.

Strategic Initiatives

D. Risk Management

The Board is responsible for identifying risks that could negatively affect the operation of the Annuity Fund. The Board evaluates the risks to which the Plan is exposed and ensures appropriate strategies are in place to manage these risks.

The Board annually conducts a risk assessment review that:

- Reviews the risk management performance for the previous year and progress made with respect to annual goals.
- Identifies and assesses the impact and probability of key plan risks.
- Establishes risk management strategies for the current year and identifies specific goals for the year.
- The outcomes of this review are included as necessary in revisions to the Board's risk management processes.

The Board and its service providers will:

- Continue to identify and analyze on a regular basis the risks SPAF and the Board face.
- Ensure that appropriate systems and actions are in place to manage such risks.
- Periodically assess the effectiveness of the risk management techniques that are in place and implement such changes as necessary.

Activities Planned and Accomplished in 2008 – 2009

- *Conduct an annual risk management assessment*
  - In June 2008, the Board approved the 2007-2008 Risk Management Review and the 2008-2009 Risk Management Plan.
- *Identify any gaps in the existing risk management strategy*
  - The 2007-2008 Risk Management Review found no areas requiring new or revised risk management policies.
- *Prioritize the areas in which new or revised risk management policies are needed/desirable*
  - Because the 2007-2008 review found no areas requiring new or revised policies, this activity was not required.

Activities Planned for 2009-2010

- Conduct an annual risk management assessment.
- Develop and implement a plan to close any significant gaps in the Board's risk management strategy.

Strategic Initiatives

E. Service Delivery and Design

Given the nature of the service provided to SPAF annuitants and beneficiaries, there likely will not be a need to alter significantly the means by which services are delivered in the near future. However, changing technologies and changing expectations among SPAF's annuitants and beneficiaries may require the Board to examine the Plan's service delivery from time to time.

Activities Planned and Accomplished in 2008 – 2009

- *Request management to perform analysis of possible alternative service delivery options*
  - The new Annuity Calculator, which reflects new actuarial requirements, was put into production in June 2008 for use in annuity estimates and quotes.
- *Investigate method for collecting annuitant feedback on services currently being delivered*
  - This activity was not carried out in 2008-2009. The activity is carried forward to 2009-2010.

Activities Planned for 2009-2010

- Review possible alternative service delivery options.
- Collect member feedback on services (letter to members with attached survey).

Investments

Investment of Funds

The Saskatchewan Pension Annuity Fund Board is responsible for holding in trust and investing the monies in the Fund. The Saskatchewan Pension Annuity Fund Board has retained Greystone Capital Management Inc. as its investment manager.

Greystone Capital Management Inc. continues to manage an immunized bond portfolio (see objectives below).

The investment manager makes the day-to-day decision of whether to buy or sell specific investments in order to achieve the long-term investment performance objectives set by the Board. It is these long term investment performance objectives that the Pension Annuity Fund Board uses to assess the performance of the investment managers.

The investment objectives are:

- to structure the investment portfolio so that the Annuity Fund's net assets are immune to changes in the level of interest rates;
- to provide sufficient liquidity to ensure payment to retired members when due; and
- to ensure long-run solvency.

To achieve those objectives, the assets of the Fund should be invested so that:

- the duration of the investment portfolio is matched with the duration of the liabilities on an ongoing basis. The matching should fall within a band of -0.5 to +0.5 years of the duration target;
- the portfolio includes sufficient short term investments to meet liquidity needs; and
- the present value of the asset cash flow stream exceeds the present value of expected liability payments.

The Saskatchewan Pension Annuity Fund Board has retained RBC Dexia Investor Services Ltd. as the custodian of the Fund. The custodian is responsible for custody of all financial assets of the Fund (in the name of the Saskatchewan Pension Annuity Fund). The custodian settles all investment transactions. The custodian also ensures that investment income (i.e., dividends, interest) is collected and provides financial information for all investment transactions.

The Saskatchewan Pension Annuity Fund Board engages the services of an asset consultant to provide advice on the overall management of the Fund's investments and on the measurement of the Fund's performance. Hewitt Associates provides this service to the Pension Board.

Annuities

During the 2008-2009 fiscal year the Saskatchewan Pension Annuity Fund paid a total of $13,707,000 in annuities to 2,020 members, or spouses of members.

Fund Administration

The Board has delegated the day-to-day administration of the Fund and management of its assets to PEBA. The cost for this is charged to the Fund.

PEBA is a branch of the Ministry of Finance. PEBA administers a wide range of pension and benefit plans.

Under contract with the Board, PEBA provides all services required to operate, administer and manage the Fund in a manner consistent with and according to all statutory provisions and regulations that apply to the Fund. PEBA reports measurement against standards to the Board quarterly. *Table 1.2* provides measurement results for the 2008-2009 year.

PEBA also provides Senior Executive Officer services and Executive Secretary services to the Board.

In 2008-2009, the Board paid PEBA $193,000 for administrative services.

Figure 1.1 shows the number of annuitants and beneficiaries receiving survivor benefits in the Fund as of the current year-end.

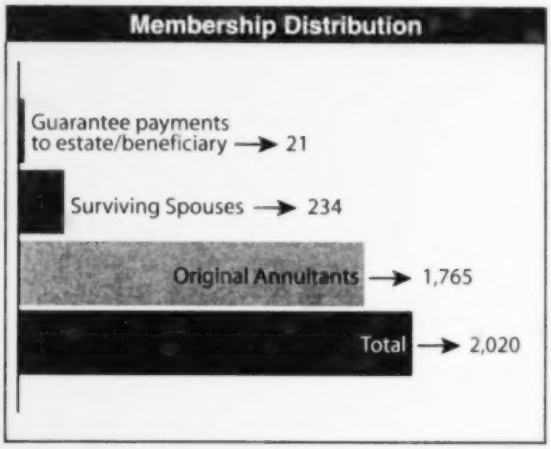


Figure 1.1

PEBA reports measurement to standards to the Board Quarterly. *Table 1.2* provide measurement results for the 2008-2009 year.

PEBA Service Standards April 1, 2008 to March 31, 2009

Task	Completed	Number that Meet or Exceed Standard	% that Meet or Exceed Standard	Standard* (Days)	Statutory Requirement** (Days)
Statement on retirement	23	23	100.0	30	90
Statement on death	57	57	100.0	14	90
Payment of death benefits	25	25	100.0	14	-
Annuity estimates for PEPP members	393	382	97.2	14	-
Spousal break down calculations	0	0	N/A	14	-
Written correspondence	Not measured	Not measured	N/A	14	-
Total	498	487	97.8	-	

* Standard is set within the contract between the Board and PEBA.

** Statutory requirement is a compliance standard within *The Pension Benefits Act, 1992 and Regulations, 1993.*

Table 1.2

Management's Report

To the Members of the Legislative Assembly of Saskatchewan

The Saskatchewan Pension Annuity Fund Board consists of three appointments made by the Minister of Finance. The Pension Annuity Fund Board is comprised of a Chairman appointed by the Minister and two other members appointed by the Minister. The Pension Annuity Fund Board is responsible for financial administration, administration of the funds and management of assets.

The financial statements, which follow have been prepared by management in conformity with accounting principles generally accepted in Canada and have been approved by the Pension Annuity Fund Board. Management uses internal controls and exercises its best judgement in order that the financial statements reflect fairly the financial position of the Fund.

The present value of annuities is determined by an actuarial valuation. Actuarial valuation reports require best estimate assumptions about future events, which require approval by management.

The financial statements have been audited by the Provincial Auditor whose report follows.

Brian Smith
Assistant Deputy Minister
Public Employees Benefits Agency

Ann Mackrill
Director, Pension Programs
Public Employees Benefits Agency

Kathy Deck
Director, Financial Services
Public Employees Benefits Agency

Regina, Saskatchewan
June 10, 2009

Actuary's Opinion

Aon Consulting Inc. was retained by the Public Employees Benefits Agency (PEBA) to perform an actuarial valuation of the accumulated provision for annuities payable from the Saskatchewan Pension Annuity Fund (Fund) on an accounting basis as at March 31, 2009.

The actuarial valuation of the Fund's accumulated provision for annuities payable was based on:

- Membership and asset data provided by the Public Employees Benefits Agency as at March 31, 2009;
- Assumptions about future demographic events which were developed by management and Aon Consulting Inc. and are considered as management's best estimate of these events; and
- A discount rate chosen to be consistent with the asset values reported in the Fund's financial statements.

While the actuarial assumptions used to estimate the accumulated provision for annuities payable for the Fund's financial statements contained in the Annual Report represent management's best estimate of future events, and while in our opinion these assumptions are reasonable, the Fund's future experience will differ from the actuarial assumptions. Emerging experience differing from the assumptions will result in gains or losses that will be revealed in future valuations, and will affect the financial position of the Fund.

We have tested the data for reasonableness and consistency with prior valuations and in our opinion the data is sufficient and reliable for the purposes of the valuation. In our opinion the methods employed in the valuation and the assumptions used are, in aggregate, appropriate. Our opinions have been given and our valuation has been performed in accordance with accepted actuarial practice.

David R. Larsen, FSA, FCIA
Aon Consulting Inc.

June 10, 2009

Saskatchewan Pension Annuity Fund

Financial Statements

Year ended March 31, 2009

Auditor's Report

To the Members of the Legislative Assembly of Saskatchewan

I have audited the statement of financial position of the Saskatchewan Pension Annuity Fund as at March 31, 2009 and the statements of operations and net deficit, and cash flows for the year then ended. The Fund's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Regina, Saskatchewan
June 10, 2009

Fred Wendel, CMA, CA
Provincial Auditor

Saskatchewan Pension Annuity Fund
Statement of Financial Position

Statement 1

As At March 31

(000's)

	2009	2008
ASSETS		
Investments (Note 3)		
Short-term	$ 487	$ 1,125
Bonds and debentures	168,652	171,764
	169,139	172,889
Receivables		
Accrued investment income	2,291	2,287
Transfer receivable from designated plan	-	2
Early retirement benefits receivable from employer	8	-
	2,299	2,289
Due from General Revenue Fund (Note 4)	63	21
Total Assets	$171,501	$175,199
LIABILITIES AND NET DEFICIT		
Liabilities		
Administration expenses payable	$ 58	$ 141
Accumulated provision for annuities payable (Note 5)	171,909	176,547
Total Liabilities	171,967	176,688
Net Deficit (Statement 2)	(466)	(1,489)
Total Liabilities and Net Deficit	$171,501	$175,199

(See accompanying notes to the financial statements)

Saskatchewan Pension Annuity Fund
Statement of Operations and Net Deficit

Statement 2

Year Ended March 31

(000's)

	2009	2008
REVENUES		
Transfers from designated plan	$ 3,694	$ 5,968
Interest income	8,002	7,915
Change in fair value of investments	(1,275)	2,870
Total Increase in assets	10,421	16,753
EXPENSES		
Change in accumulated provision for annuities payable (Note 5)	(4,638)	5,479
Annuities	13,707	14,226
Administration (Note 6)	329	337
Total decrease in assets	9,398	20,042
Net increase (decrease) in assets for the year	1,023	(3,289)
Net (Deficit) Assets, beginning of year	(1,489)	2,614
Decrease in net assets beginning of year for change in accounting policy	---	(814)
Net Deficit, end of year (Statement 1)	$(466)	$(1,489)

(See accompanying notes to the financial statements)

Saskatchewan Pension Annuity Fund
Statement of Cash Flows

Statement 3

Year Ended March 31

	(000's) 2009	2008
Cash flows from (used in) operating activities:		
Transfers from designated plan	$ 3,688	$ 6,364
Interest income received	8,001	7,861
Early retirement benefits received	104	119
Annuities paid	(13,707)	(14,226)
Administration expenses paid	(412)	(259)
Early retirement benefits paid	(104)	(119)
	(2,430)	(260)
Cash flows from (used in) investing activities:		
Purchase of investments	(21,785)	(34,731)
Proceeds from disposal of investments	24,257	34,761
	2,472	30
Net increase (decrease) in Due from General Revenue Fund	42	(230)
Due from General Revenue Fund, beginning of year	21	251
Due from General Revenue Fund, end of year	$ 63	$ 21

(See accompanying notes to the financial statements)

Saskatchewan Pension Annuity Fund
Notes to the Financial Statements

March 31, 2009

1. Description of Fund

The Saskatchewan Pension Annuity Fund (Fund) is established under *The Saskatchewan Pension Annuity Fund Act* (Act). The Act establishes the Saskatchewan Pension Annuity Fund Board to administer the Fund. The day-to-day administration is provided by the Public Employees Benefits Agency (PEBA).

The purpose of the Fund is to provide annuities to members of designated pension plans. Currently, the only designated pension plan is the Public Employees Pension Plan. Members of a designated plan may, upon retirement, elect to receive an annuity from the Fund, as an alternative to purchasing an annuity from a private company that issues annuities. Those electing to receive an annuity from the Fund transfer their accumulated contributions and investment income from their designated plan to the Fund at the time of retirement.

Subsection 5(7) of the Act requires any amount by which the liabilities of the Annuity Fund exceed the assets of the Fund to be a charge on, and a payable out of, the General Revenue Fund. As the annuities payable are long-term liabilities, and management does not expect to require funding to meet their current obligations, the Fund has not recorded any amount as a receivable from the General Revenue Fund.

2. Significant Accounting Policies

These financial statements are prepared in accordance with Canadian generally accepted accounting principles. The Fund follows accounting policies recommended for organizations that issue annuities. The following accounting policies are considered significant:

a) **Change in Accounting Policies**

Effective April 1, 2008, three new presentation and disclosure standards were adopted: Canadian Institute of Chartered Accountants (CICA) Handbook Section 1535, *Capital Disclosures* (Section 1535); Handbook Section 3862, *Financial Instruments - Disclosures* (Section 3862); and Handbook Section 3863, *Financial Instruments - Presentation* (Section 3863).

Section 1535 requires the disclosure of both qualitative and quantitative information that enables users of financial statements to evaluate the Fund's objectives, policies and processes for managing capital. As this standard only addressed disclosure requirements, there is no change in net assets.

Section 3862 and 3863 replace Handbook Section 3861, *Financial Instruments - Disclosure and Presentation*. The new disclosure standards increase the disclosures related to financial instruments and the nature, extent and management of the Fund's risks arising from financial instruments. The presentation standards carry forward unchanged from the former presentation requirements. As these standards only address disclosure and presentation requirements, there is no impact on the Fund's operating results.

b) **Investments**

Investments are stated at fair value. The change in the fair value of investments at the beginning and end of each year is reflected in the statement of operations and net assets (deficit) as change in fair value of investments.

Fair value of investments is determined as follows:

Short term investments are valued at cost which, together with accrued investment income, approximates fair value given the short term nature of these investments.

Bonds and debentures are valued at year-end quoted bid prices from recognized security dealers.

These investments have been designated as held-for-trading.

c) **Investment Income and Investment Transactions**

Investment income is recorded on the accrual basis. Investment transactions are recorded on the trade date.

d) **Accumulated Provision for Annuities Payable**

The accumulated provision for annuities payable represents the present value of the annuities underwritten and is determined pursuant to an annual actuarial valuation.

Any resulting change in the accumulated provision for annuities payable pursuant to the valuation is recognized in the statement of operations and net assets (deficit).

e) **Future Accounting Policy Changes**

The Accounting Standards Board of the Canadian Institute of Chartered Accountants has issued an exposure draft proposing to adopt International Financial Reporting Standards (IFRS) effective January 1, 2011. The Board is monitoring the transition to IFRS and is assessing the impact that the adoption of IFRS will have on its financial statements when conversion is required.

3. Investments

Details of significant terms and conditions, exposure to interest rate and credit risks of investments are as follows:

Short-term Investments

Short-term investments are comprised of treasury bills and notes with effective rates of 0.4% (2008 – 1.9% - 3.7%) and an average remaining term to maturity of 86 days (2008 - 33 days). The Fund's investment policy states that investments must meet a minimum investment standard of "R1" as rated by a recognized credit rating service.

Bonds and Debentures

The Fund's investment policy states that federal and provincial government bonds and debentures must meet a minimum quality standard of BBB as rated by a recognized credit rating service. No more than 15% of the par value of the bond portfolio may be invested in BBB rated bonds.

No more than 10% of the market value of the bond portfolio may be invested in corporate bonds. At March 31, 2009, the Fund held 2.07% (2008 – 2.50%) of the market value of bonds and debentures in corporate bonds. The minimum credit rating for corporate bonds is "A" or equivalent as rated by a recognized credit rating service.

(000's)

	2009						2008		
	Market Value								
Years to Maturity	Federal	Provincial	Corporate	Total	Effective Interest Rate	Coupon Rate	Total Market Value	Effective Interest Rate	Coupon Rate
Under 1	$ 2,426	$ 1,425	$ ---	$ 3,851	0.63	0.00-10.00	$ 2,761	2.28	0.00-0.00
1 - 5	11,214	14,267	2,773	28,254	2.24	0.00-10.25	23,389	3.11	0.00-10.00
5 – 10	12,318	26,865	---	39,183	3.30	0.00-11.25	40,339	3.72	0.00-11.25
Over 10	30,117	66,533	714	97,364	4.52	0.00-10.50	105,275	4.34	0.00-10.50
Market Value	$ 56,075	$109,090	$ 3,487	$168,652			$171,764		

Actual maturity may differ from contractual maturity because certain borrowers have the right to call or prepay certain obligations with or without call or prepayment penalties.

4. Due from General Revenue Fund

The Fund's bank accounts are included in the Consolidated Offset Bank Concentration arrangement for the Government of Saskatchewan.

The Fund's earned interest is calculated and paid by the General Revenue Fund on a quarterly basis to the Fund's bank accounts using the Government's thirty day borrowing rate and the Fund's bank account balance. The Government's average thirty day borrowing rate for the current year was 1.95% (2008 – 4.08%).

5. Accumulated Provision for Annuities Payable

The actuarial present value of annuities payable was determined using the administrator's best estimate of future investment performance and inflation. An actuarial valuation was performed as at March 31, 2009 by Aon Consulting Inc. The assumptions used in determining the actuarial present value of annuities payable were:

	2009	2008
Interest rate	4.40%	4.31%
Mortality	95% of UP94	95% of UP94
Expense allowance	2.3% of annuities payable	2.3% of annuities payable

The annual change in the accumulated provision for annuities payable is reflected in the statement of operations and net deficit. The principal components of the change to the accumulated provision for annuities payable during the year were as follows:

	(000's)	
	2009	2008
Accumulated provision for annuities payable, beginning of year	$176,547	$151,367
Increase in liability from change in accounting policy to market valuation	-	19,701
Interest on annuities payable	7,314	7,674
New annuities purchased in the year	3,572	5,849
Change in estimated future administration costs	-	288
Annuities paid	(13,707)	(14,226)
Data correction and experience (gain) loss	(390)	(270)
Change in assumed discount rate	(1,427)	6,164
Accumulated provision for annuities payable, end of year	$171,909	$176,547

Actual results may vary significantly from the assumptions used. It is reasonably possible, based on existing assumptions, that changes in future conditions in the near term could require a material change in the annuities payable. A 1% increase in the discount rate would decrease the liability $14.6 million (2008 - $15.3 million) and a 1% decrease in the discount rate would increase the liability $17.1 million (2008 - $18.0 million).

The expected cash inflows from investment income and disposal of investments at maturity and the expected cash outflows to pay the annuities and administration expenses are calculated using the above assumptions. The expected net cash flows are based on actual dollar forecasts without any provision for inflation and they do not allow for future annuitants. The estimated net cash inflows/(outflows) for the next 5 years are ($2.2 million), for the next 10 years $1.9 million and for the next 30 years ($2.2 million). The expected duration for investments is 8.72 years and for the accumulated provision for annuities payable is 9.16 years.

6. Administration Expenses

(000's)

	2009		2008	
	Budget	Actual	Budget	Actual
Administration costs – PEBA	$221	$193	$220	$201
Custodial fees – RBC Dexia Investment Services Trust	8	8	10	8
Investment management fees - Greystone Capital Management Inc.	137	128	133	128
	$366	$329	$363	$337

7. Financial Risk Management

The nature of the Fund's operations result in a statement of financial position that consists primarily of financial instruments. The risks that arise are credit risk, market risk (consisting of interest rate risk, foreign exchange risk and equity price risk) and liquidity risk.

Significant financial risks are related to the Fund's investments. These financial risks are managed by having an investment policy, which is approved annually by the Board. The investment policy provides guidelines to the Fund's investment managers for the asset mix of the portfolio regarding quality and quantity of investments. The asset mix helps to reduce the impact of market value fluctuations by requiring investments in different asset classes and in domestic and foreign markets. The Board reviews regular compliance reports from its investment managers and custodian as to their compliance with the investment policy. The Board also reviews regular compliance reports from its custodian as to the investment managers' compliance with the investment policy.

Credit risk

Credit risk is the risk that one party does not pay funds owed to another party. The Fund's credit risk arises primarily from two distinct sources: accounts receivable and investments. The maximum credit risk to which it is exposed at March 31, 2009 is limited to the carrying value of the financial assets summarized as follows:

(000's)

	2009	2008
Receivables	$ 2,299	$ 2,289
Investments	169,139	172,889
Due from the General Revenue Fund	63	21

Accounts receivable are primarily made up of accrued investment income. Accrued investment income is received on the next scheduled payment date, generally either annually or semi-annually.

Credit risk within investments is related to short-term investments, bonds and debentures. It is managed through the investment policy that limits fixed term investments to those of high credit quality (minimum rating for bonds, BBB, and for short-term investments is R-1) along with limits to the maximum notional amount of exposure with respect to any one issuer.

Credit rating for bonds and debentures are as follows:

Credit Rating	2009 Fair Value (000's)	2009 Makeup of Portfolio (%)	2008 Fair Value (000's)	2008 Makeup of Portfolio (%)
AAA	$ 71,372	42.32	$ 75,683	44.06
AA	76,580	45.41	72,925	42.45
A	19,888	11.79	22,304	12.99
BBB	812	0.48	852	0.50
Total	$168,652	100.00	$171,764	100.00

Within bond and debentures, there are no holdings from one issuer, other than the Government of Canada or a Canadian province, over 1.16% of the market value of the combined bonds and debentures and short term investment portfolios. No one holding of a province is over 3.70% of the market value of the investment portfolio.

Market risk

Market risk represents the potential for loss from changes in the value of financial instruments. Value can be affected by changes in interest rates and foreign exchange rates. Market risk primarily impacts the value of investments.

Interest rate risk

The Fund is exposed to changes in interest rates in its fixed income investments, consisting of short-term investments and bonds and debentures. Duration is a measure used to estimate the extent market values of fixed income instruments change with changes in interest rates. Using this measure, it is estimated that a 100 basis point change in interest rates would change net assets (deficit) by $14.9 million at March 31, 2009; representing 8.8% of the $169 million fair value of fixed income investments.

Securities collateral

At March 31, 2009, no Fund assets have been deposited or pledged as collateral or margin. As part of the Fund's securities lending strategy, collateral has been pledged to the Fund by various counterparties for securities out on loan to the counterparties. At March 31, 2009, the total amount of collateral pledged to the Fund amounted to $22.1 million (2008 - $40.0 million).

Security lending obtains collateral of at least 105% of the market value of the securities lent. Such loans must be secured by cash and/or readily marketable government bonds, treasury bills and/or letters of credit, discount notes and banker's acceptances of Canadian chartered banks.

Liquidity risk

Liquidity risk is the risk that the Fund is unable to meet its financial obligations as they fall due. Cash resources are managed on a daily basis based on anticipated cash flows.

8. Related Party Transactions

All Government of Saskatchewan agencies such as ministries, corporations, boards and commissions are related since all are controlled by the Government. Also, the Fund is related to non-Crown enterprises that the Government jointly controls or significantly influences. These financial statements include expenses associated with administering the Fund and are paid to the PEBA Revolving Fund. Related party transactions with the Fund are in the normal course of operations and are recorded at exchange amounts agreed to by the parties to the transactions.

The Fund holds $1,856,507 (2008 - $1,865,434) Province of Saskatchewan Bonds and Debentures with a yield of 2.02% (2008 - 3.38%). Investment income including change in the market value of $92,650 (2008 - $122,281) was recorded from the Province of Saskatchewan Bonds and Debentures.

At year-end, the Fund has an accounts payable to the PEBA Revolving Fund of $1,207 (2008 - $34,789.

Section 47.5 of the *Superannuation (Supplementary Provisions) Act* authorizes employers to provide early retirement benefits to eligible employees. The Fund pays these early retirement benefits to retired members of the Public Employees Pension Plan on behalf of employers. During the year, the Fund provided early retirement benefits of $104,000 and received reimbursement from the employers. These transactions are not included in the Statement of Operations and Net Deficit.

Other transactions with related parties and amounts due to or from them are described separately in the financial statements and notes.

9. Fair Value of Financial Assets and Liabilities

For the following financial assets and liabilities the carrying amounts approximates fair value due to their immediate or short-term nature:

a) accrued investment income

b) transfer receivable from designated plan

c) early retirement benefits receivable from employer

d) due from General Revenue Fund

e) administration expenses payable

Fair value of investments are disclosed in note 3.

The fair value of the accumulated provision for annuities payable cannot be readily determined, however information about the estimated provision is provided in note 5.